

## Message Text

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PAGE 01 MONTRE 00255 161420Z  
ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-08 FRB-01  
INR-07 NSAE-00 USIA-15 TRSE-00 XMB-04 OPIC-06 SP-02  
CIEP-02 LAB-04 SIL-01 OMB-01 PA-02 PRS-01 /072 W  
-----161434Z 063859 /45

R 152205Z FEB 77  
FM AMCONSUL MONTREAL  
TO SECSTATE WASHDC 8597  
INFO AMEMBASSY OTTAWA  
AMCONSUL QUEBEC

UNCLAS MONTREAL 255

E. O. 11652: N/A  
TAGS: ELAB, ECON, CA  
SUBJ: QUEBEC MINIMUM WAGE TO BE INDEXED TO COST OF LIVING

1. LABOR MINISTER JACQUES COUTURE ANNOUNCED YESTERDAY THAT PQ CABINET HAD GIVEN APPROVAL IN PRINCIPLE TO INDEXATION SYSTEM TYING MINIMUM WAGE TO COST OF LIVING WITH ADJUSTMENT TO BE MADE EVERY SIX MONTHS. QUEBEC WOULD BE FIRST CANADIAN PROVINCE TO FORMALLY LINK MINIMUM WAGE WITH COST OF LIVING. COUTURE SAID THAT FINAL DECISION ON IMPLEMENTING MEASURE WILL COME IN A FEW WEEKS.

2. IF APPROVED, INDEXATION PROGRAM WOULD BE GOVERNMENT'S SECOND RECENT ACTION TO BENEFIT QUEBEC'S LABORERS AT BOTTOM OF WAGE SCALE. EFFECTIVE JANUARY 1, QUEBEC'S MINIMUM WAGE WAS RAISED TO DOLS 3 FROM PREVIOUS DOLS 2.87. INDEXATION, BASED ON POSSIBLE ANNUAL 7-8 O/O INFLATION RATE, WOULD LEAD TO INCREASE OF ADDITIONAL 21-24 CENTS IN QUEBEC'S MINIMUM WAGE.

3. COMMENT: REACTIONS TO COUTURE'S STATEMENT FOLLOWED EXPECTED LINES, WITH BUSINESS CLAIMING INDEXATION SCHEME WOULD FURTHER WORSEN QUEBEC'S COMPETITIVE SITUATION AND LABOR CLAIMING THAT MINIMUM WAGE IS STILL NOT SUFFICIENT TO PROVIDE DECENT STANDARDS OF LIVING. (QUEBEC FEDERATION OF LABOR IS ON RECORD AS CALLING FOR DOLS 4.35 MINIMUM WAGE, INDEXED TO COST OF LIVING EVERY THREE MONTHS.) REAL EFFECT OF INDEXATION OF MINIMUM WAGE IS HARDER TO GAUGE. APPROXIMATELY 300,000 LABORERS IN QUEBEC ARE DIRECTLY AFFECTED BY CHANGE IN MINIMUM WAGE. MOST ARE CONCENTRATED IN SERVICE AND TEXTILE INDUSTRIES WHERE ECONOMIC PROBLEMS ABOUND. MONTREAL HOTELS, FOR EXAMPLE, WHERE

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PAGE 02 MONTRE 00255 161420Z

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COSTS ARE ALREADY THE HIGHEST IN CANADA, WILL BE HIT BY INDEXATION. EMPLOYMENT IS HEAVILY ORIENTED TOWARDS LOW END OF WAGE SCALE AND THE HIGHER PAID EMPLOYEES BENEFIT FROM CONTRACTS THAT REQUIRE EMPLOYERS TO MAINTAIN WAGE DIFFERENTIALS. THUS, ANY INCREASE IN MINIMUM WAGE IS AUTOMATICALLY PASSED ON THROUGHOUT WAGE SCALE. IN OTHER SECTORS OF ECONOMY, THERE WILL UNDOUBTEDLY BE SOME RIPPLE EFFECTS, BUT REAL IMPACT IS NOT CLEAR AS DE FACTO INDEXATION HAS BEEN CASE AT HIGHER WAGE LEVELS, PARTICULARLY FOR THOSE LABORERS PRESENTED BY UNIONS. WHAT MAY BE MOST IMPORTANT AT THIS TIME IS PSYCHOLOGICAL IMPACT OF MOVE, WHICH IS CERTAINLY BAD. INDEXATION PROPOSAL WILL BE SEEN BY BUSINESS SECTOR AS MOST RECENT OF GROWING LIST OF DISINCENTIVES FOR DOING BUSINESS IN QUEBEC. LEVESQUE ADMINISTRATION HELD OUT PROMISE OF BETTER LABOR RELATIONS, BUT PRICE AT WHICH LABOR PEACE BEING ACHIEVED MAY BECOME GROWING CONCERN IN QUEBEC.

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## Message Attributes

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**Capture Date:** 01-Jan-1994 12:00:00 am  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
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**Copy:** SINGLE  
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**Disposition Approved on Date:**  
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**To:** STATE  
**Type:** TE  
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**Review Markings:**  
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